

# Relationship among Customer Satisfaction, Customer Loyalty, and CRM Activities : To Understand the Effectiveness of Retailers' CRM Activities

journal or publication title	山梨学院大学現代ビジネス研究
volume	第8号
page range	23-37
year	2015-02-01
URL	<a href="http://id.nii.ac.jp/1188/00003183/">http://id.nii.ac.jp/1188/00003183/</a>

# Relationship among Customer Satisfaction, Customer Loyalty, and CRM Activities

## : To Understand the Effectiveness of Retailers' CRM Activities

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### 【ABSTRACT】

This paper aims to examine the relationship among Customer Relationship Management (CRM) activities, customer satisfaction, and customer loyalty to develop a theoretical framework to understand the effectiveness of retailers' CRM activities. This paper highlights the importance of viewing CRM activities as an independent factor directly enhancing customer satisfaction and loyalty rather than as a contingent factor influencing the relationship between customer satisfaction and loyalty. This view is based on the perspective that emphasizes the strategic and comprehensive aspect of CRM.

### 【KEY WORDS】

CRM activities, customer satisfaction, customer loyalty, strategic CRM

## 1. INTRODUCTION

This paper aims to examine the relationship among CRM activities, customer satisfaction, and customer loyalty. Existing research has explained that CRM activities in retail significantly influence customers' purchase behaviour in various ways. Many researchers have used customer satisfaction and customer loyalty (behavioural and attitudinal) as outcome variables on customer purchase behaviour.

However, existing research has shown mixed support for these outcomes of CRM activities. One reason for the mixed support might be the diversity of theoretical frameworks capturing the effect of CRM activities. This study examines the relationship between

CRM activities and their effects on customer purchase behaviour to develop a theoretical framework for understanding the effectiveness of retailers' CRM activities.

The remainder of the paper is structured as follows. In the next section, we review the literature on CRM activities and confirm three perspectives to analyse its influence on customer satisfaction and loyalty. In the last section, we examine the relationship among customer satisfaction, customer loyalty, and CRM activities to provide the strategic implications about CRM activities, especially in the retail context.

## 2. LITERATURE REVIEW

### 2-1. COMPREHENSIVE CRM FOR EFFICIENT CUSTOMER RESPONSE

Since the mid-1990s, CRM has attracted the attention of practitioners and researchers as a new information technology to improve customer management, along with the development of IT and relational marketing in mature markets (Payne and Frow 2005 p.167, Payne 2006 pp.4-5). From the marketing research perspective, CRM was examined using the framework of relationship marketing, loyalty marketing, service marketing, etc. (Parvatiyar and Sheth 2001 pp.1-5).

Various approaches to CRM resulted in diverse CRM concepts. Payne and Frow (2005) and Boulding et al. (2005) reviewed previous CRM concepts and guided the direction for future research. The issues discussed by them are summarized below.

First, the constructive concept of CRM was clarified. Payne and Frow (2005) noted that there are various concepts of CRM, from both narrow and broad perspectives, thus leading to a confused discussion (pp.167, 174-175, Boulding et al. 2005 p.157). According to Payne and Frow (2005), CRM is seen not merely as an IT solution, but as a strategic approach that helps firms understand the characteristics of customer value, utilize insights about the market cross-functionally, and plan the company-wide strategy<sup>i</sup>. In sum, CRM primarily involves developing a holistic organizational strategy to manage customer relationships.

Second, they indicated comprehensive, integrated CRM activities lead to excellent

performance (Payne and Frow 2005 p.168, Boulding et al. 2005 pp.158-159). The effectiveness of CRM depends on a cross-functional approach and integrated system. Payne and Frow (2005) and Boulding et al. (2005) pointed out the importance of cross-functional coordination and an integrated system in CRM implementation for enhancing marketing capability, relationships with customers, and customer life time value.

Third, the future research directions were indicated. In particular, the research issues they indicated are 1) the resources or capabilities needed to implement comprehensive, cooperative CRM (Boulding et al. 2005 pp.161-162), 2) the mechanism of CRM that influences customer purchase behaviour, helps build long-term relationships with customers, and enhances customer life time value (Boulding et al. 2005 p.157), and 3) promotional factors that link CRM implementation and sustainable competitive advantage in a competitive environment (Boulding et al. 2005 p.161).

### 2-2. EMPIRICAL VERIFICATION OF THE CRM EFFECT

Some researchers have empirically examined the effectiveness of CRM. CRM is a business practice to build long-term relationships with customers that result in more value for both firms and customers. Many studies see CRM activities as practical tools to shape the CRM strategy<sup>ii</sup>, especially in the retail context. CRM activities are defined as “an integrated system of marketing actions that aim to make member customers more loyal” (Leenheer et al. 2007 p.32, Mayer-Waarden 2007 p.224). Therefore, previous experimental studies have

focused on whether CRM activities really lead to efficient consumer response (Liu 2007 p.19).

Many studies have shown the positive view of CRM activities. They indicate the importance of CRM activities by offering the evidence on the differences in the purchase behaviours of members and non-members of CRM activities (Mauri 2003 p.13, Demoulin and Zidda 2009 p.393). These studies are significant because they confirm the effectiveness of CRM activities, which was previously only indicated theoretically, and provide practical implications for implementing CRM activities <sup>iii</sup> .

The studies examining the CRM effect can be classified into the following three categories based on their focus: studies focusing on the CRM effect on financial performance achieved by implementing CRM activities (e.g., Reinartz and Kumar 2003, Reinartz et al. 2004, Cao and Gruca 2005, Reinartz et al. 2005); those focusing on the acquisition of marketing capabilities (e.g., Minami and Dawson 2008, Kim et al. 2014); and those focusing on the CRM effect on relationships with customers (e.g., Magi 2003, Lewis 2004, Seiders et al. 2005, Liu 2007, Leenheer et al. 2007, Meyer-Waarden 2007 Liu and Yang 2009, Meyer-Waarden and Benavent 2009) <sup>iv</sup> .

To discuss the relationships among CRM activities, customer satisfaction, and customer loyalty, it would be beneficial to focus on the third research category because these factors are referred mainly there.

In these studies, the CRM effect on customer purchase behaviour or relationships with customers is investigated through various metrics that represent diverse aspects of customer purchase behaviour. The effect was

demonstrated in detail using metrics such as customer satisfaction (e.g., Magi 2003, Mithas et al. 2005, Gustafsson et al. 2005, Seiders et al. 2005, Kumar et al. 2013), attitudinal loyalty (e.g., Seiders et al. 2005, Demoulin and Zidda 2009), and behavioural loyalty (e.g., Magi 2003, Seiders et al. 2005, Taylor & Neslin 2005, Leenheer et al. 2007, Liu 2007, Meyer-Waarden 2007, Demoulin and Zidda 2009, Meyer-Waarden and Benavent 2009, Gazquez-Abad et al. 2011) <sup>v</sup> .

Many researchers focus on these metrics to confirm the CRM effect because the CRM strategy is used to continually strengthen the relationship between customers and firms. The literature focuses on customer loyalty and satisfaction because customers do not necessarily convert their satisfaction into action (Kumar et al. 2013). Therefore, it is not adequate to examine the relationship with only attitudinal factors such as customer satisfaction. On the other hand, behavioural aspects do not necessarily indicate that customers have a good relationship with firms or products (O'Malley 1998). Thus, many studies have focused on both customer satisfaction and loyalty.

Further, Dick and Basu (1994) points out that customer loyalty requires both more favourable attitudes than alternatives and loyal behaviour such as repeat purchase. According to them, customer loyalty has two dimensions: attitudinal and behavioural. We should distinguish between both dimensions to examine customer loyalty, which is enhanced through CRM activities. We can determine the dimension that CRM activities promote effectively and discuss how to facilitate the effect of CRM activities.

Behavioural loyalty, especially in the retail context, has been measured by metrics such as share-of-wallet, the number of repurchase visits, expenditure, and cross buying in a period<sup>vi</sup> (Bolton et al. 2004, Kumar et al. 2013). We can understand how CRM activities result in actual purchase behaviour over long term by focusing on behavioural loyalty.

Attitudinal loyalty is expressed as the likelihood to re-purchase or re-visit a retail store (Mittal et al. 1999, Mittal and Kamakura 2001, Seiders et al. 2005, Kumar et al. 2013). Attitudinal loyalty is generally measured through self-reported surveys as intention to repurchase or re-visit over a period (Kumar et al. 2013 p.248).

Customer satisfaction is defined as “a customer’s overall evaluation of the performance of an offering to date” (Johnson and Fornell 1991). Customer satisfaction has been highlighted in existing research because it is an important factor that improves customer retention and customer re-purchase behaviour for a long time (Johnson and Fornell 1991, Oliver 1999, Mittal and Kamakura 2001).

Through these means, existing research examines the CRM effect on customer purchase behaviour by focusing on customer satisfaction, behavioural loyalty, and attitudinal loyalty as dependent variables.

There are several ways in existing research to understand the CRM effect on purchase behaviour. In our study, past studies are divided into three categories based on how they examine the CRM effect on purchase behaviour, and the CRM effect that these studies focus on depends on the perspective they rely upon.

Therefore, it is important to appreciate

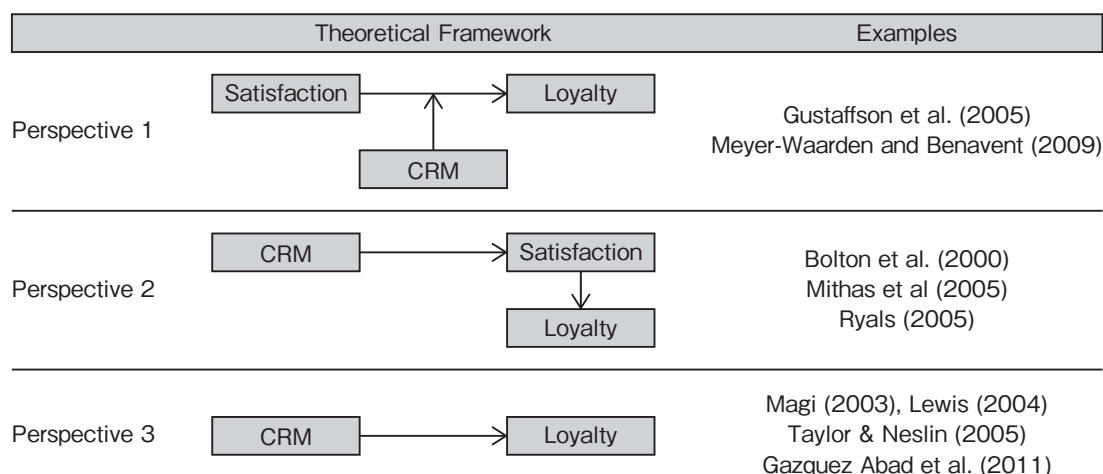
their understanding of the CRM effect, the perspective that they rely on, and the point that each perspective sheds light on. Actually, existing research on CRM effect on purchase behaviour has provided mixed results (Magi 2003 p.98, Verhoef 2003 p.36, Liu 2007 p.19, Liu and Yang 2009 p.93). The diverse theoretical frameworks on CRM effect in existing research probably lead to confusion regarding the understanding of the CRM effect on customer behaviour (Magi 2003 p.98, Kumar et al. 2013). In the following section, we briefly overview all theoretical frameworks, their theoretical background, and the points highlighted by each perspective.

### 2-3. PERSPECTIVES ON THE CRM EFFECT ON PURCHASE BEHAVIOR

As indicated in the previous section, the perspective on the CRM effect on purchase behaviour in existing research is categorized into 3 perspectives (see Figure 1).

The first perspective views CRM activities as a contingent factor affecting the influence of customer satisfaction on customer loyalty (see perspective 1 in Figure 1). As is well-known, customer satisfaction for particular products, services, and stores does not necessarily result in high behavioural loyalty. Although customer satisfaction is one of the most important factors for creating loyalty (Oliver 1999, Oliver 2010), it does not always lead to improved customer purchase behaviour (Reichheld 1996). It is important to strengthen the link between customer satisfaction and customer loyalty (Kumar et al. 2013). Perspective 1 sheds light mainly on the CRM effect on this link. That is, how CRM can

Figure 1 Perspectives for the CRM Effect



contribute to strengthen the behavioural loyalty of existing satisfied customers is the main research issue of this perspective. Examples of studies with this perspective are Gustafsson et al. (2005), Homburg et al. (2005), Seiders et al. (2005), Liu (2007), and Meyer-Waarden and Benavent (2009).

These studies clarified that CRM can contribute to strengthen the link between customer satisfaction and loyalty. For example, Gustafsson et al. (2005) pointed out that the retention of satisfied customers depends on the prior churn. In addition, Seiders et al. (2005) showed that the link between customer satisfaction and repurchase intention or repurchase behaviour is dependent on convenience, customer involvement, household income, and CRM. They concluded that CRM contributes to the retention of satisfied customers. At the same time, Meyer-Waarden and Benavent (2009) investigated whether satisfied customers change their purchase behaviour after they join the CRM programme. They identified that CRM has a self-selection

effect. That is, the tendency of satisfied customers to enrol in the CRM programme is much higher than that of non-satisfied customers. They showed that the CRM effect on retaining existing customers is prominent for satisfied customers<sup>vii</sup>.

The first notable feature of this perspective is that it focuses on the retention of existing customers, and not the creation of customer satisfaction and loyalty. As indicated by the theoretical framework in Figure 1, this perspective focuses on the link between existing customers' satisfaction and loyalty. This perspective views CRM as a tool to acquire the loyalty of satisfied customers and discusses the CRM effect on existing customer satisfaction. Therefore, this perspective heavily emphasizes the retention of existing customers rather than the acquisition of customer satisfaction and loyalty through CRM.

The second feature of this perspective is that its recommended theoretical framework is largely influenced by the discussions in consumer behaviour research. The link between

customer satisfaction and loyalty is particularly discussed in consumer behaviour research (e.g., Johnson and Fornell 1991, Oliver 1999, Mittal and Kamakura 2001, Syzmanski and Henard 2001, Kumar et al. 2013). Therefore, this perspective views CRM as a moderator between customer satisfaction and loyalty (e.g., Homburg and Giering 2001, Mittal and Kamakura 2001) and confirms the influence of CRM on the link between them based on the theoretical issue in consumer behaviour.

The second perspective views CRM activities as a marketing strategy to create customer satisfaction (see perspective 2 in Figure 1). Customer satisfaction has a significant impact on the financial performance of firms, because higher satisfaction leads to lower customer complaints, resulting in lower costs of maintaining customer relationships (Fornell 1992). Similarly, higher customer satisfaction has a positive effect on re-purchase behaviour, resulting in stable sales (Oliver 2010). How CRM can contribute towards enhancing customer satisfaction is an important research issue<sup>viii</sup>. The examples of studies with this perspective are Bolton et al. (2000), Jayachandran et al. (2005), Mithas et al. (2005), and Ryals (2005).

These studies have identified that CRM can enhance customer satisfaction when firms have enough capability to manage the resources acquired through CRM activity. For example, Jayachandran et al. (2005) pointed out that the ability to process customer information from CRM and to integrate this information cross-functionally is the key driver for creating customer satisfaction through CRM. In addition, Mithas et al. (2005) found that CRM

positively affects customer satisfaction when firms share customer information from CRM with their suppliers.

A notable feature of this perspective is that it focuses on longitudinal customer value, which is acquired by creating customer satisfaction. As discussed above, customer satisfaction is important to customer value creation. These studies put customer satisfaction at the centre of their discussion because of its importance in creating customer value and generating a lasting effect in retaining these customers.

The second feature is that these studies help firms identify conditions that enable them to effectively create customer satisfaction using CRM. The studies with this perspective identify how firms with CRM can acquire customer satisfaction by paying attention to organizational capability, which enables firms to manage customer relationship efficiently.

The third feature of this perspective is that it discusses the mechanism by which CRM enhances customer satisfaction rather than merely retaining it. CRM can help firms achieve good performance when it contributes to maintaining and terminating as well as initiating customer relationships (Reinertz et al. 2004). Therefore, this perspective discusses the conditions under which CRM contributes to enhancing the effectiveness of these processes.

The third perspective involves examining the direct effect of CRM on customer loyalty (see perspective 3 in Figure 1). Perspectives 1 and 2 focus on customer satisfaction, since it is an important determinant of customer loyalty. However, existing research shows that customer loyalty is not derived solely from customer satisfaction. To discuss more

comprehensively how customer loyalty is created, it is necessary to consider other determinants (e.g., Syzmanski and Henard 2001 p.28, Kumar et al. 2013 p.247).

The third perspective regards CRM as an important factor that improves customer loyalty along with customer satisfaction. Therefore, the focus of the discussion in this perspective is not on customer satisfaction, but on customer loyalty. It aims to verify the CRM effect with other determinants, including customer satisfaction, which are considered to affect customer loyalty. The examples of such studies are Sharp and Sharp (1997), Magi (2003), Verhoef (2003), Lewis (2004), Taylor and Neslin (2005), Leenheer et al. (2007), Mayer-Waarden (2007), and Gazquez-Abad et al. (2011).

The studies with this perspective primarily discuss whether CRM leads to efficient customer loyalty. Many studies confirm this CRM effect by demonstrating the difference between the performance of CRM members and non-members (Mauri 2003 p.13, Demoulin and Zidda 2009 p.393). Most studies showed a positive result of the CRM effect to customer loyalty (Liu 2007 p.19).

For example, Magi (2003) demonstrated that the CRM effect on customer behavioural loyalty was observed among all customers except for cherry-pickers. Moreover, Taylor and Neslin (2005) demonstrated that the point reward activity in CRM affects behavioural loyalty in two ways: point pressure and rewarded behaviour.

The first feature of this perspective is its focus on the direct effect of CRM on customer loyalty. CRM is given much attention

by researchers and practitioners because it contributes to creating value for firms by creating value for customers. This process of value creation is described as “dual creation of value” by Boulding et al. (2005) (p.159).

As described above, customer satisfaction is an important determinant of customer behavioural loyalty, but it does not necessarily result in customer behavioural loyalty such as re-purchase. Therefore, this perspective heavily emphasizes customer loyalty, which directly leads to the economic performance of firms, and thus, discusses whether CRM can contribute to provide further value for firms.

It is notable that this perspective is adopted by studies especially in the retail context, probably because the point reward programme, which is frequently seen in retail, can directly lead to re-purchase behaviour rather than influencing customer satisfaction. This may be why many studies in the retail context focus on the direct effect of CRM on customer loyalty (Leenheer et al. 2007 p.32).

Another feature of this perspective is that it views CRM as a strategic marketing tool that provides further value to both customers and firms. This perspective mainly discusses the possibility of using CRM as a strategy to develop an appropriate approach for managing customer relationships to create shareholder value. Therefore, this perspective examines how CRM implementation can be more efficient in creating dual values.

### 3. PERSPECTIVE TO UNDERSTAND THE EFFECTIVENESS OF CRM IN RETAIL

We have categorized existing research based



on three perspectives in this study. We think it is more beneficial to examine the CRM effect using perspectives 2 and 3 to understand its effectiveness in retail context. That is, we think that the important perspective is one that views CRM as a marketing strategy directly enhancing customer satisfaction and loyalty rather than a contingent factor affecting the influence of existing customer satisfaction on loyalty. Based on this perspective, we can comprehensively understand how CRM in retail can contribute towards creating customer value and managing customer relationships.

This paper proposes this perspective for the following three reasons. First, CRM is a marketing tool for managing customer demand and creating customer satisfaction and loyalty, which in turn create value for firms. Thus, CRM is not a merely a tool for retaining existing customers (e.g., Leenheer and Bijmolt 2008 p.438, Liu and Yang 2009 p.96, Mark et al. 2013 p.243). As is indicated by theoretical research, CRM becomes more significant for firms only if it helps in creating further customer satisfaction and loyalty (e.g., Boulding et al. 2005). Especially, it is quite important for CRM research to identify the means to realize sufficient customer response after customers enrol in CRM programmes, and not the effect of the enrolment itself (e.g., Hidaka et al. 2014).

The focus of the discussion in perspective 1 is the link between customer satisfaction and loyalty. This perspective helps us understand whether CRM contributes to retaining existing satisfied customers. However, as Reinertz et al. (2004) indicate, the purpose of CRM is not the retention of existing customers, but

the maintenance and management of customer demand (pp.294-295). With perspective 1, it would be difficult to understand how CRM contributes towards enhancing customer satisfaction and loyalty and how this affects managing long-term relationships with customers after they enrol in CRM programmes. To understand this effect, it would be appropriate to investigate the CRM effect from perspectives 2 and 3.

Second, theoretical research shows that it is important for CRM research to provide comprehensive strategic implications for the management of customer relationships in the long-term (Boulding et al. 2005, Payne and Frow 2005). By combining perspectives 2 and 3, we can identify which type of CRM activity affects customer satisfaction and loyalty. As a result, this study enables us to discern the effect of each CRM activity type.

For instance, the ability to process customer information and share it with suppliers helps acquire customer satisfaction (Jayachandran et al. 2005, Mithas et al. 2005). According to their discussion, customer satisfaction in retail is expected to improve more efficiently through selective promotions and display improvement. This requires an advanced ability to process customer information precisely and share it with suppliers more than the point reward programme, which does not necessarily require many resources. On the other hand, customer loyalty should be promoted by all CRM activity types, but the effect of selective promotions and display improvement, which is mediated by customer satisfaction, is expected to be more robust than the effect of the point reward programme.

There is diversity in CRM activities, which range from simple ones that do not require too many resources to manage, such as the point reward programme, to advanced ones requiring many resources, such as selective promotions and display improvement. The effect of each CRM activity type is expected to be different. An investigation from this perspective can provide appropriate options to make CRM more efficient in the long-term after customers enrol in the CRM programme. That is, investigating the CRM effect from this perspective can provide strategic implications.

Further, Leenheer and Bijmolt (2008) show that the customer loyalty programme is adopted more in markets where the diversity of assortment and frequency of customer purchases are high (pp.437-438). They point out that the impact of insight, which is acquired by identifying the purchase behaviour trend in the customer purchase data from CRM, is greater in a diverse market such as a grocery store than in a market where the diversity of assortment and frequency of customer purchases are not high. Moreover, the differences between the effect of point reward programmes, selective promotions, and display improvement are greater in a diverse market such as a grocery store than in other markets, because the effect of precise selective promotion and display improvement, which require data analysis and sharing of customer information with suppliers, is expected to be more prominent. Therefore, it is beneficial to adopt a framework combining perspectives 2 and 3 to understand the CRM effect in the retail context.

Third, perspective 3 is considered more

important in research in the retail context (e.g., Magi 2003, Lewis 2004, Taylor and Neslin 2005, Leenheer et al. 2007). Many studies in the retail context examine the CRM effect particularly on behavioural loyalty, re-purchase behaviour, and share of wallet. In addition, exploratory research on the CRM effect shows that CRM can directly lead to re-purchase behaviour and share of wallet (Hidaka 2015). Therefore, it is important to identify the CRM effect in retail from perspective 3.

#### **4. CONCLUSION: IMPLICATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

This study examines the relationships among CRM activities, customer satisfaction, and customer loyalty to develop a conceptual framework for understanding the effectiveness of retailers' CRM activities. We find that it is beneficial to adopt the perspective which views CRM as a marketing strategy to directly enhance customer satisfaction and loyalty for three reasons.

There are various CRM activities such as point reward programmes, selective promotions, which is based on customer data from CRM; and display improvement, which is realized by sharing data with suppliers. Diverse CRM activities affect customers in different ways. Investigating the different effects of CRM activities with the perspective adopted by this study enables us to discern the effect of each CRM activity type, providing two implications. First, it helps us understand the CRM effect comprehensively. Second, we can provide strategic implications of CRM management after its introduction. Existing research

indicates the importance of introducing CRM; however, it remains unclear how retailers should manage CRM activities after introducing them (Hidaka et al. 2014). The perspective proposed in this study addresses this research issue. The contribution of this paper is identifying the theoretical framework to understand the effectiveness of CRM in retail and providing directions for future research.

In the future, it will be beneficial for researchers to conduct experimental research for members of the retailers' CRM programmes by which precise selective promotions and display improvement are realised. Such an investigation could help verify the effect of diverse CRM activities from the perspective proposed in this study.

## ACKNOWLEDGEMENT

This study is supported by JSPS KAKENHI Grant-in-Aid for Scientific Research (C) No. 24530533.

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- i Payne and Frow (2005) define CRM as "a strategic approach that is concerned with aerating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with

- customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enhanced through information, technology, and applications.” (p.168)
- ii In existing research, practical tools of CRM activities are referred to in various ways, such as loyalty programme, frequent shopper programme, and loyalty card programme. In this paper, the practical tools of CRM are referred to as CRM activities, because we discuss the importance of diverse CRM activities other than the point reward programme; besides, existing research has focused mainly on point reward programmes. In particular, there are diverse CRM activities, ranging from basic ones such as point reward for consumers (e.g., Magi 2003, Taylor and Neslin 2005, Liu 2007) to advanced ones such as selective promotions based on purchase data from CRM (e.g., Jayachandran et al. 2005, Leenheer and Bijmolt 2008) and display improvement by sharing purchase data with suppliers (e.g., Mithas et al. 2005).
  - iii However, some studies question the effectiveness of CRM activities. For example, Sharp and Sharp (1997), who examined the effect of the CRM activities of several retailers, indicated that the effect of CRM activities was quite weak and lower than expected. Similarly, Dowling and Uncles (1997), Bolton et al. (2000), Dowling (2002), and Shugan (2005) demonstrated that CRM activities do not improve the customer purchase behaviour trend and questioned its effectiveness.
  - iv As discussed above, CRM provides value for both firms and customers. The first research category puts more emphasis on its effect on firms than on customers. CRM activity is important because it helps firms achieve good financial performance, such as stable returns and ROE, over a long period. Therefore, these studies examined how CRM helps achieve good financial performance. On the other hand, CRM involves developing a holistic organizational strategy. Therefore, the second category focuses on acquiring marketing capabilities, which enable firms to establish sustainable competitive advantages. For example, Minami and Dawson (2005) indicated that CRM implementation enhances firms' ability to customize marketing for customers. Kim et al. (2014) indicated that CRM implementation had an effect on building good relationships with suppliers. Further, to provide value for firms via CRM activities, firms first need to create customer value. Therefore, the third category focuses mainly on the link between CRM activities and relationships with customers.
  - v Commitment is also paid attention in some existing studies as a factor which indicates the strength of relationships with firms (Morgan and Hunt 1994, Gustafsson et al. 2005). Customer satisfaction refers to the overall evaluation to offerings from firms, whereas commitment and customer loyalty refer to the strength of relationships with firms (Johnson and Fornell 1991, Gustafsson et al. 2005). Further, commitment refers to the psychological aspect which affects to



the creation of attitude on the relationship with firms, whereas customer loyalty refers to the attitudinal and behavioral aspect of these relationships (Pritchard et al. 1999). That is, commitment is seen as a mediating variable between customer satisfaction and loyalty (Gruen et al. 2000, Johnson et al. 2001). Commitment is actually important in order to discuss the relationship between the customer satisfaction and loyalty. But we refer only to customer satisfaction and loyalty in this paper, because our main interest is not for the psychological process toward the customer loyalty, but for the effect of CRM activities toward the customer purchase behaviour.

- vi In addition to re-purchase, expenditure, and cross-buying, behavioural loyalty involves the likelihood of recommendations to others in some studies (Kumar et al. 2013). However, we focus on the former ones, considering the retail context adopted in our study.
- vii However, they pointed out that the purchase frequency of existing satisfied customers did not increase after they enrolled in CRM programmes. A similar result was found by Liu (2007).
- viii Based on Mithas et al. (2005), CRM can create customer satisfaction for at least three reasons (pp.202-203): 1) firms with CRM can customise their offerings for targeted customers based on CRM data, which enhances the perceived quality of customers. Since perceived quality is an important determinant of customer satisfaction, CRM can contribute to creating customer satisfaction. Second, CRM enables firms to estimate customer demand precisely,

allowing them to provide appropriate offerings which are likely to satisfy targeted customers in a timely manner. The precise estimation of customer demand enables firms to produce a good consumption experience for customers, which contributes to creating satisfaction and customer value. Third, through these above activities, CRM can enable firms to manage customer relationships effectively. These activities can improve the organizational capability to manage customer relationships.